

Dear Colleague:

As we are faced with another shortfall in Mississippi's Medicaid program, we are reminded again that this program needs a permanent funding solution that is fair and sustainable. Frankly, there is no reason this battle has to be fought every year because to do so puts at risk a program that provides critical health care for some of this state's neediest people.

We are convinced it is imperative to fill the current funding gap and serve Medicaid's longer term interests by the fairest, most equitable method possible. The best option we have is SB 2013, a compromise piece of legislation that was developed by the Mississippi Hospital Association and the Division of Medicaid, which passed the Senate on a bi-partisan vote of 41-to-7.

Importantly, SB 2013 proposes to fund Medicaid with a reformed version of taxes paid by some hospitals for 15 years before the federal government, through the Centers for Medicare and Medicaid Services, forced Mississippi Medicaid to stop using this process for state Medicaid match money. Under the new program detailed in SB 2013 all hospitals, collectively, would pay in \$200 million and get back \$1.2 billion in federal funds.

In short, hospitals reap the benefits so hospitals should pay the tax, and have volunteered to do so. This strikes us as a fair, permanent, sustainable process that maximizes the return from Medicaid to Mississippi and our hospitals.

The Legislature has been briefed on this issue time and time again. After the federal government disallowed Mississippi's system in the summer of 2005, the Legislature used \$225 million in one-time federal funds made available through Katrina supplemental funds in Fiscal Years 2006, 2007, and 2008 with the understanding that Medicaid would implement a new financing program. That federal money is gone, so now we have no choice but to step up and put in place a long-term solution.

One proposal is to dip into the state's rainy day funds for more one-time, stop-gap, temporary funding, or raise cigarette taxes to pay for Medicaid. We say that approach just isn't good enough – it's illogical to tie increasing revenue needs like Medicaid to a decreasing source of revenue like cigarette taxes. The truth is, even though some of the hospitals in your area may not like it, SB 2013 is the best solution.

Without SB 2013, state law will force the Governor to make significant Medicaid budget cuts. No Medicaid recipient will be cut off the rolls, but the Division of Medicaid has notified legislators that cuts will be made in reimbursements to hospitals and other providers, deep cuts that will affect local jobs and local tax revenues. This is important to mayors and county supervisors, local businesses and economic developers, and community organizations.

Make no mistake, achieving \$90 million in state-share cuts really means cutting \$375 million out of the economy. We are convinced the Governor will make these cuts in accordance with the law.

For 15 years, Mississippi hospitals paid part of the state Medicaid match and received federal Medicaid reimbursements. Under SB 2013 – a revised version of what was in place for years – hospitals in Fiscal Year 2009 will pay in \$200 million and get back \$1.25 billion in reimbursements and distributions. No other proposal on the table is as fair, permanent or sustainable.

SB 2013, the compromise offered by the Mississippi Hospital Association and the Division of Medicaid, is the only clear, logical plan that will provide the most care for the poorest patients in our state. It provides the most benefit to the hospitals that serve the greatest number of Medicaid patients, which, after all, is the mission of the program. We have not seen any reasonable, workable, and affordable alternative to SB 2013 and the time for bickering is past.

A mountain of additional facts has been made available to us by the Governor's Office, the Division of Medicaid, the Mississippi Hospital Association and many other interested parties since the Special Session recessed. We urge you to consider these facts as we prepare to resume the session on June 26.

There are no easy “politically perfect” solutions to this funding crisis in Medicaid, but in order to protect Mississippi's most vulnerable citizens, we as legislators must be prepared to make the tough decisions when necessary.

Let's not delay any longer. It's not fair to put Medicaid providers and beneficiaries, and Mississippi taxpayers through the wringer again in 2009 when a real solution is available now.